

**AUDITED FINANCIAL STATEMENTS  
AND OTHER FINANCIAL INFORMATION**

**GREENLAND TOWNSHIP  
ONTONAGON COUNTY, MI**

**March 31, 2004**

# AUDITING PROCEDURES REPORT

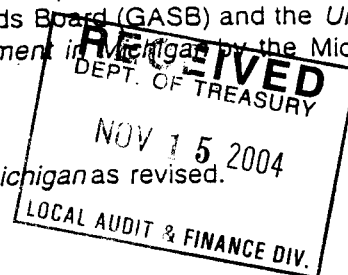
Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Greenland Township</b>	County <b>Ontonagon</b>
Audit Date <b>3/31/04</b>	Opinion Date <b>11/1/04</b>	Date Accountant Report Submitted to State: <b>11/10/04</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.



We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

## We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	x		
Reports on individual federal financial assistance programs (program audits).			x
Single Audit Reports (ASLGU).			x

Certified Public Accountant (Firm Name) <b>Roger J. Kolehmainen PC CPA</b>			
Street Address <b>1445 East Cloverland</b>	City <b>Ironwood</b>	State <b>MT</b>	ZIP <b>49938</b>
Accountant Signature 			

## CONTENTS

### AUDITED FINANCIAL STATEMENTS

Independent Auditor's Report	2
Combined Balance Sheet- All Fund Types, Account Groups And Discretely Presented Component Units	5
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances- All Government Fund Types and Discretely Presented Component Units	7
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances and Comparison with Budget - All Government Fund Types	9
Statement of Operations and Retained Earnings - Proprietary Fund	11
Statement of Cash Flows - Proprietary Fund	12
Notes to Financial Statements	13

### OTHER FINANCIAL INFORMATION

#### Combining and Individual Fund Financial Statements:

General Fund	
Statement of Revenues - Budget to Actual	26
Statement of Expenditures - Budget to Actual	27
Special Revenue Funds:	
Combining Balance Sheets	31
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	32
Fiduciary Funds:	
Combining Balance Sheets	33
Statement of Changes in Assets and Liabilities	34
Supplemental Report - Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	36

**Roger J. Kolehmainen CPA PC**  
1445 East Cloverland Drive  
Ironwood, MI 49938

INDEPENDENT AUDITOR'S REPORT

Supervisor and Members of the Board  
Greenland Township  
Ontonagon County, Michigan


We have audited the accompanying general purpose financial statements of Greenland Township and its combining and individual fund financial statements as of and for the year ended March 31, 2004, as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that the audit provides a reasonable basis in our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Greenland Township as of March 31, 2004, and the results of its operations and its cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated November 1, 2004, on our consideration of Greenland Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of Greenland Township. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

  
Roger J. Kolehmainen PC  
Certified Public Accountant

Ironwood, Michigan  
November 1, 2004

GENERAL  
PURPOSE  
FINANCIAL  
STATEMENTS

GREENLAND  
COMBINED BALANCE SHEET  
ACCOUNT GROUPS AND  
March 31,

	Government Fund Types			Proprietary Fund Type
	<u>General Fund</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Enterprise</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$77,512	\$11,342	\$29,161	\$36,529
Accounts receivable-net	2,387			22,481
Delinquent taxes receivable -	5,012		1,907	
Loan receivable		1,351		
Due from other funds	1,588			4,163
Due from component unit	22,650			
Accrued interest income				172
Prepaid expenses	11,049			1,970
Total current assets:	<u>\$120,198</u>	<u>\$12,693</u>	<u>\$31,068</u>	<u>\$65,315</u>
Land/improvements				
Buildings				
Equipment				
Sewer system				3,031,466
Accumulated depreciation				(955,273)
Legal fees				6,646
Restricted cash	22,407			105,153
Amount available for debt service				
Amount to be provided for				
Retirement of general long-term debt				
<b>TOTAL ASSETS</b>	<u>\$142,605</u>	<u>\$12,693</u>	<u>\$31,068</u>	<u>\$2,253,307</u>
<b>LIABILITIES AND MUNICIPAL EQUITY</b>				
<b>LIABILITIES</b>				
Accounts payable	\$4,439	\$	\$	\$473
Accrued wages/taxes	3,607			575
Due to other funds				
Due to other primary government				
Accrued interest payable				10,343
Current maturity on long-term indebtedness				13,000
Total current liabilities	<u>\$8,046</u>	<u>\$</u>	<u>\$</u>	<u>\$24,391</u>
Contract payable				
Bonds payable				620,300
Less current maturities on long-term debt				(13,000)
Total Liabilities	<u>\$8,046</u>	<u>\$</u>	<u>\$</u>	<u>\$631,691</u>
Fund Equity:				
Investment in general fixed assets				
Contributed Capital				1,560,184
Retained Earnings				61,432
Fund Balances:				
Undesignated	111,065	12,693	31,068	
Designated	23,494			
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<u>\$142,605</u>	<u>\$12,693</u>	<u>\$31,068</u>	<u>\$2,253,307</u>

The accompanying notes are an integral part of the financial statements.

TOWNSHIP  
ALL FUNDS TYPES  
DISCRETELY PRESENTED COMPONENT UNITS  
2004

Account Groups		Fiduciary Fund	Total (Memorandum		Total (Memorandum
General	General Long-	Types	Only) Primary	Component	Only) Reporting Unit
<u>Fixed Assets</u>	<u>Term Debt</u>	<u>Trust Funds</u>	<u>Government</u>	<u>Unit</u>	
\$	\$	\$70,474	\$225,018	\$42,952	\$267,970
			24,868		24,868
			6,919	1,505	8,424
			1,351		1,351
			5,751		5,751
			22,650		22,650
			172		172
			13,019		13,019
\$	\$	\$70,474	\$299,748	\$44,457	\$344,205
21,290			21,290		21,290
165,402			165,402		165,402
317,874			317,874		317,874
			3,031,466		3,031,466
			(955,273)		(955,273)
			6,646		6,646
			127,560		127,560
	29,000		29,000		29,000
\$504,566	\$29,000	\$70,474	\$3,043,713	\$44,457	\$3,088,170
\$	\$	\$64,723	\$69,635	\$10,594	\$80,229
			4,182		4,182
		5,751	5,751		5,751
				22,650	22,650
			10,343		10,343
			13,000		13,000
\$	\$	\$70,474	\$102,911	\$33,244	\$136,155
	29,000		29,000		29,000
			620,300		620,300
			(13,000)		(13,000)
\$	\$29,000	\$70,474	\$739,211	\$33,244	\$772,455
504,566			504,566		504,566
			1,560,184		1,560,184
			61,432	11,213	72,645
			154,826		154,826
			23,494		23,494
\$504,566	\$29,000	\$70,474	\$3,100,833	\$44,457	\$3,129,907



GREENLAND TOWNSHIP  
COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
ALL GOVERNMENT FUND TYPES  
Year Ended MARCH 31, 2004

	Government Fund Types			Totals (Primary Government)
	<u>General Fund</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
====REVENUES====				
Taxes	\$11,026	\$	\$12,418	\$23,444
Other taxes	8,173			8,173
Tax administrative fees	7,939			7,939
Licenses and permits		597		597
Rents and royalties	34,471			34,471
State shared revenues	96,819	1,430		98,249
Federal shared revenues	1,141			1,141
Interest	2,698	145	485	3,328
Other revenue	1,036			1,036
<b>TOTAL REVENUES</b>	<b>\$163,303</b>	<b>\$2,172</b>	<b>\$12,903</b>	<b>\$178,378</b>
====EXPENDITURES====				
Legislative	\$6,387	\$	\$	\$6,387
General government	38,841			38,841
Public safety	9,946	1,422		11,368
Public works	36,856			36,856
Parks and recreation	4,433			4,433
Other	17,025			17,025
Debt service			9,749	9,749
<b>TOTAL EXPENDITURES</b>	<b>\$113,488</b>	<b>\$1,422</b>	<b>\$9,749</b>	<b>\$124,659</b>
<b>EXCESS OF REVENUES (EXPENDITURES)</b>	<b>\$49,815</b>	<b>\$750</b>	<b>\$3,154</b>	<b>\$53,719</b>
OTHER FINANCING SOURCES (USES)				
Transfer from other funds	\$605	\$	\$	\$605
Transfers to other funds		(605)		(605)
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXP AND OTHER FINANCING USE</b>	<b>\$50,420</b>	<b>\$ 145</b>	<b>\$3,154</b>	<b>\$53,719</b>
Fund balance at 4/1/2003	\$84,139	\$12,548	\$27,914	\$124,601
<b>FUND BALANCE 3/31/2004</b>	<b>\$134,559</b>	<b>\$12,693</b>	<b>\$31,068</b>	<b>\$178,320</b>

The accompanying notes are an integral part of the financial statements.

<u>Component Unit</u>	<u>Total (Memorandum Only) Reporting Unit</u>
\$6,451	\$29,895
	8,173
	7,939
	597
10,768	45,239
	98,249
	1,141
316	3,644
	1,036
<hr/> \$17,535	<hr/> \$195,913
\$	\$6,387
	38,841
	11,368
	36,856
	4,433
5,414	22,439
	9,749
<hr/> \$5,414	<hr/> \$130,073
<hr/> \$12,121	<hr/> \$65,840
	\$605
	(605)
	<hr/> \$65,840
(908)	\$123,693
<hr/> \$11,213	<hr/> \$189,533

**GREENLAND  
STATEMENT OF  
AND CHANGES IN FUND BALANCE**

ALL GOVERNMENTAL  
Year ended

<u><b>General Fund</b></u>			
	<u><b>Budget</b></u>	<u><b>Actual</b></u>	<u><b>Variance Favorable (Unfavorable)</b></u>
<u><b>REVENUES</b></u>			
Taxes	\$9,100	\$11,026	\$1,926
Other taxes	7,050	8,173	1,123
Tax administrative fees	3,800	7,939	4,139
Licenses and permits			
Rents and royalties	22,600	34,471	11,871
Federal/State shared revenues	68,200	97,960	29,760
Charges for services			
Other revenue	5,800	1,036	(4,764)
Interest	400	2,698	2,298
Donations	300		(300)
	<u>\$117,250</u>	<u>\$163,303</u>	<u>\$46,053</u>
<u><b>EXPENDITURES</b></u>			
Legislative	\$8,736	\$6,387	\$2,349
General government	36,562	38,841	(2,279)
Public safety	9,185	9,946	(761)
Public works	61,161	36,856	24,305
Parks and recreation	4,272	4,433	(161)
Other	18,747	17,025	1,722
Debt service			
	<u>\$138,663</u>	<u>\$113,488</u>	<u>\$25,175</u>
EXCESS OF REVENUES (EXPENDITURES)	(\$21,413)	\$49,815	\$71,228
OTHER FINANCING SOURCES (USES)			
Transfers to/from other funds	\$	605	\$605
EXCESS OF REVENUES (EXPENDITURES) AND OTHER FINANCING USES)	(\$21,413)	\$50,420	\$71,833
Fund Balance at 4/1/2003	\$84,139	\$84,139	\$
FUND BALANCE MARCH 31, 2004	<u>\$62,726</u>	<u>\$134,559</u>	<u>\$71,833</u>

The accompanying notes are an integral part of the financial statements.

TOWNSHIP  
REVENUES, EXPENDITURES  
AND COMPARISON WITH BUDGET

FUND TYPES  
March 31, 2004

<u>Special Revenue Fund</u>			<u>Debt Service</u>		
<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
\$	\$	\$	\$8,370	\$12,418	\$4,048
1,525	1,430	(95)			
1,700	597	(1,103)			
	145	145		485	485
\$3,225	\$2,172	(\$1,053)	\$8,370	\$12,903	\$4,533
\$	\$	\$	\$	\$	\$
1,100	1,422	(322)			
			11,000	9,749	1,251
\$1,100	\$1,422	(\$322)	\$11,000	\$9,749	\$1,251
\$2,125	\$750	(\$1,375)	(\$2,630)	\$3,154	\$5,784
	(\$605)	(\$605)			
\$2,125	\$145	(\$1,980)	(\$2,630)	\$3,154	\$5,784
\$12,548	\$12,548	\$	\$24,760	\$24,760	
\$14,673	\$12,693	(\$1,980)	\$22,130	\$27,914	\$5,784

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
RETAINED-EARNINGS (DEFICIT) - PROPRIETARY FUND TYPE  
GREENLAND TOWNSHIP  
Year ended March 31, 2004

	Enterprise Funds
Operating revenues:	
Charges for services	\$60,516
Total Operating Revenues	\$60,516
Operating expenses:	
Personnel services	\$5,653
Purchase of services	11,942
Materials and supplies	574
Provision for depreciation/amortization	66,480
Insurance	2,645
Utilities	5,030
Transportation	563
Miscellaneous	284
Total Operating Expenses	93,171
Administrative expenses:	
Personnel services	\$1,800
Purchases of services	100
Publishing	369
Supplies	269
Total Administrative Expenses	2,538
Operating income (loss)	(\$35,193)
Non-operating revenues and (expenses):	
Interest income	1,966
Amortization of contributed capital	51,269
Interest expense	(31,115)
	22,120
Net Income (loss)	(13,073)
Retained Earnings March 31, 2003	74,505
<b>RETAINED EARNINGS – MARCH 31, 2004</b>	<b>\$61,432</b>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND TYPE  
 GREENLAND TOWNSHIP  
 Year ended March 31, 2004

	Enterprise Fund
Cash flows from operating activities:	
Income from operations	(\$35,193)
Adjustments to reconcile income from operations to net cash Provided by operating activities:	
Depreciation	\$66,480
(Increase) decrease in:	
Accounts receivable	(5)
Accrued interest income	31
Prepaid expenses	47
Due to other funds	(4,163)
Increase (decrease) in:	
Accounts payable	(475)
Accrued payroll/taxes	25
Accrued interest payable	(201)
Total adjustments	61,739
Net Cash Provided by Operating Activities	\$26,546
Cash flows from capital and related Financing activities:	
Bond principal paid	(12,000)
Bond interest paid	(31,115)
Net cash provided (used) for capital and related financing activities	(\$43,115)
Cash flows from investing activities:	
Interest income	1,965
Net cash provided for investing activities	\$1,965
Net increase (decrease) in cash and cash equivalents	(\$14,604)
Cash and Cash Equivalents, March 31, 2003	\$156,286
<b>Cash and Cash Equivalents, March 31, 2004</b>	<b>\$141,682</b>

The accompanying notes are an integral part of the financial statements.

GREENLAND TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

==NOTE A - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES==

The Greenland Township operates under an elected board of trustees, which includes a supervisor, clerk and treasurer. The Township provides to its residents, services in many areas including highways and streets, sanitation, culture and recreation, planning and zoning, and general administrative services. The financial statements of the Township have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial-reporting principles. In conformity with generally accepted accounting principles, other autonomously operated governmental organizations are not considered to be part of the Township financial reporting entity. The criteria established for determining the various governmental organizations to be included as component in the Township's financial statements include oversight responsibility, scope of public service, and special financing

On this basis, the financial statements of the economical development authority are included as a component unit, whereas, the local school district are not included in the financial statement of the Township. Educational services are provided to citizens through the local school district which is a separate governmental entity.

Scope of Reporting Entity

In accordance with the provisions of the Governmental Accounting Board's Statement No. 14 "The Financial Reporting Entity," the general purpose financial statements of the Township contain all the Township funds and components units that are controlled by or dependent on the Township's executive or legislative branches.

Basis of Presentation - Fund Accounting

The Township uses funds and account groups to report its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group is a financial-reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available resources.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

---

Funds are classified into the following three categories.

### GOVERNMENTAL FUNDS

General Fund - is the general operating fund of the Township. This fund is used to account for all financial resources except those required to be accounted for in another fund. This fund includes general operating expenditures of the Township. Revenues are derived primarily from property taxes, state shared revenues and various local sources.

Special Revenue Fund - are used by the Township to account for the specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Debt Service Fund - are used to record revenues which are restricted for the payment of principal and interest on debt recorded in the General Long-Term Debt Account Group.

### PROPRIETARY FUNDS

Proprietary Funds - Sanitary Sewage Disposal System Fund - are used to account for waste water sewage system in a manner similar to private business enterprises, where the intent of the Township is that the expenses, including depreciation, of providing services to the general public on a continuing basis are to be financed or recovered primarily through user charges.

### FIDUCIARY FUND TYPE

Agency Funds - are used to account for assets held by the Township in a trustee capacity or as an agent for other governments, and/or funds. The current tax collection activities are custodial in nature and do not involve measurement of results of operations.

### ACCOUNT GROUPS

General Fixed Assets Account Group - This account group presents the assets of the local unit utilized in its general operations (Nonproprietary fixed assets).

General Long-Term Debt Account Group - This is not a fund but an account group used to present the balance of general obligation long-term debt which is not recorded in Enterprise Funds.

### COMPONENT UNITS

The Greenland Downtown Development Authority has been shown in the financial statements as a discretely presented component unit of Greenland Township.



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

---

### Basis of Accounting and Measurement Focus

The basis of accounting determines when transactions and economic events are reflected in financial statements, and measurement focus identifies which transactions and events should be recorded.

Governmental Funds and the Agency Funds use the modified accrual basis of accounting. Under this method, revenues are recognized in the accounting period in which they become both available and measurable (flow of current financial resources measurement focus). Licenses and permits, charges for services and miscellaneous revenues are recorded as revenues when received in cash. General real property taxes and investment earnings are recorded when levied or earned (when they are measurable and available). Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except expenditures for debt service and other long-term obligations, which are recognized when paid.

Proprietary Fund uses the accrual basis of accounting and the flow of economic resources (measurement focus). This basis of accounting and measurement focus emphasizes the measurement of net income similar to the approach used by commercial enterprises, and revenues are recorded when earned and expenses are recorded when incurred.

### Budgets and the Budgetary Process

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to April 1, the Township Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing April 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is held at the annual Township Board meeting to obtain taxpayers comments.
3. Prior to April 1, the budget is legally enacted by the Township Board.
4. Any revisions to the budgeted amounts must be approved by the Township Board.
5. Budgets for the General Fund and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles.
6. Budgeted amounts presented in the financial statements are as originally adopted and subsequently amended.

All budget appropriations lapse at year end.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

---

### Receivables

Credit is extended to customers of the Enterprise Fund. All receivables are reported at their gross values. Allowance for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amounts would be immaterial

### Note Receivable

The General Fund provided a \$35,000 loan to Greenland Downtown Development Authority in the remodeling of a commercial building to be leased as a restaurant. The Authority has agreed to make monthly payments of \$306.43 at 4% interest for the term of 12 years. Payments began in July 1999.

### Interest Receivables

Interest on investments is recorded as revenue in the year the interest is earned and is available to pay liabilities of the current period.

### Fixed Assets

Fixed assets in the Sewer fund are depreciated using the straight-line method over the estimated useful lives of the assets. Additions, improvements and major replacements are capitalized at cost. Maintenance, repairs and minor replacements are charged to expenses as incurred.

Purchases of fixed assets for all other funds are recorded as expenditures in their respective funds at the time of purchase. They are also recorded at cost in the General Fixed Assets Group of Accounts as required by generally accepted accounting principles. No depreciation has been provided on the general fixed assets.

### Inventories

Inventories of Governmental and Proprietary Funds operating supplies are considered to be immaterial and are not recognized.

### Due To and Due from Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

---

### Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

### Property Tax Revenues

Properties are assessed as of December 31 and the related property taxes become a lien of December 1 of the following year. These taxes are due on February 14 of the ensuing year with the final collection date of February 28 before they are added to the delinquent tax rolls. The Township records real property taxes as revenue when levied and a corresponding receivable account established. The County advances the Township an amount equal to the delinquent real taxes turned over shortly after year end.

### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those amounts.

### Total Columns on Combined Financial Statements - Overview

The total column on the Combined Financial Statements is captioned "Memorandum Only" to indicate that it is presented only to facilitate financial analysis by fund type, account group and component unit. Data in this column do present financial position in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

### Statement of Cash Flows

The Township's cash and cash equivalents are considered to be certificates of deposits, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

State statutes authorize the Township to invest in U.S. government obligations, certificates of deposit, commercial paper, repurchase agreements, banker's acceptances, and with some restrictions, mutual funds. An Attorney General's opinion states that public funds may not be deposited in financial institutions located in states other than Michigan. All investments, if any, are stated at fair market value.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

---

### Fund Equity

The unreserved undesignated fund balances for governmental funds represent the amount available for budgeting future operations. Unreserved retained earnings for proprietary funds represent the net assets available for future operations or distributions.

### NOTE B - CASH AND INVESTMENT INFORMATION

The carrying amount of deposits is presented on the balance sheet as "Cash and Cash Equivalents".

Statutes authorize the Township to deposit cash in financial institutions covered by federal depository insurance and to invest in obligations of the United States Treasury, agencies and instrumentalities; commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services; United States government or agency obligation repurchase agreements; bankers' acceptances of United States banks; certain mutual funds and certain common stocks.

The carrying amount of the Township's deposits with financial institutions was \$395,530 consisted of \$352,578 for the primary government and \$42,952 for the component unit. The bank balance is categorized as follows:

Amount insured by the FDIC or collateralized with securities held by the Township in its name	\$163,922
Uncollateralized and uninsured	188,656
	-----
Total bank balance	<u>\$352,578</u>

The Township will need to assess the level of risk of each institution in evaluating which financial institutions to be used as depositories in reducing the uninsured risk. In addition, the laws of the State of Michigan do not provide for collateralization of bank deposits.

The Township's deposits are in accordance with statutory authority.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### NOTE C - ACCOUNTS/NOTES RECEIVABLE

Accounts receivable and related allowances for uncollectible are as follows:

Fund	Receivable	Allowance	Net
General Fund-Acct Receivable	\$ 7,399	\$	\$ 7,399
General Fund-Note Receivable	\$22,650	\$	\$22,650
Spec Rev- Housing Program	\$ 1,351	\$	\$ 1,351
Sewer Fund	\$22,481	\$	\$22,481
Debt Service	\$ 1,907	\$	\$ 1,907

### NOTE D - SUMMARY OF 2003 TAX LEVY

Details of the Township's 2003 property tax levy are as follows:

Township:	
General Fund	\$ 22,091
Downtown Development Authority	5,832
County	191,137
Schools	208,876
CFR	39,581
Delinquent Utilities	<u>10,125</u>
Total Levy	<u>\$477,642</u>

Taxable valuation - (excluding commercial forest  
reserve lands and captured DDA taxes):

Real property	\$10,974,201
Personal property	1,349,854
	<u>\$12,324,055</u>

Tax rate per \$1,000 valuation:

Township	\$ 1.8540
County	15.9056
Schools	26.5208
	<u>\$ 44.2804</u>

### NOTE E - INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables at March 31, 2004, are as follows:

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General Fund:		Trust & Agency:	
Due from Trust & Agency	\$1,447	Due to General	\$1,447
Due from Tax Fund	141	Tax Fund:	
Sewer Fund:		Due to General	141
Due from Tax Fund	<u>4,163</u>	Due to Sewer	<u>4,163</u>
TOTALS	<u>\$5,751</u>	TOTALS	<u>\$5,751</u>
Primary Government		Component Unit	
General Fund	<u>\$22,650</u>	Downtown	<u>\$22,650</u>
		Development Authority	<u></u>

NOTE F - UTILITY PLANT IN SERVICE

A summary of utility plant in service at March 31, 2004, follows:

	<u>Sewer Fund</u>	<u>Depreciable Life</u>
Land	\$ 71,923	
Land improvements	73,667	20-50 years
Plant and distribution lines/system	2,541,755	50 years
Equipment	<u>344,121</u>	7-20 years
	3,031,466	
Less accumulated depreciation	<u>( 955,273)</u>	
Net carrying amount	<u>\$2,076,193</u>	
Depreciation Expense 2003/2004	<u>\$ 66,230</u>	

NOTE G - SEWER FUND OTHER ASSETS

Sewer Fund other assets consist of legal fees incurred in connection with the 1989 Sewer Disposal System Revenue Bonds issued. These costs are being amortized using the straight-line method over the life of forty years. The current year amortization cost was \$250.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### NOTE H – GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	<u>Balance</u> <u>3/31/2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>3/31/2004</u>
Land	\$ 17,500			\$ 17,500
Buildings	165,402			165,402
Sidewalks	3,790			3,790
Equipment	317,358	\$516		317,874
Totals	<u>\$504,050</u>	<u>\$516</u>		<u>\$504,566</u>

### NOTE I - CHANGES IN GENERAL LONG-TERM DEBT

The following changes occurred in general long-term debt:

	<u>Balance</u> <u>3/31/2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/2004</u>
Contract payable	\$37,000		\$8,000	\$29,000

During 1998, the Township purchased a new fire truck for \$122,500 of which \$65,000 was financed by the United States Department of Agriculture and the balance was grant funded. The loan is repayable in annual payments including interest at the rate of 4.75 per annum. As of March 31, 2004, \$29,000 was still outstanding and is recorded in the General Long-Term Debt Account Group. The Township has made additional principal payments.

<u>Due Date 12/1</u>	<u>Principal Amount</u>
2004	\$4,000
2005	4,000
2006	4,000
2007	4,000
2008	4,000
2009	5,000
2010	4,000
Total	<u>\$29,000</u>

### NOTE J - ACCOUNTS PAYABLE

The Governmental Fund Types and Proprietary Funds account payables were for normal operating expenditures at year end.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### NOTE K – SEWER BOND PAYABLE

Revenue bonds payable in the Sewer fund were issued in 1989 for the purpose of defraying part of the cost of wastewater disposal and sewer improvements in portions of Greenland Township. Repayment of the bonds is being made through hoop up fees and monthly charges to users of the system.

Sewage Disposal System Revenue Bonds were issued for \$720,000 on June 28, 1989, and they mature annually as scheduled below and bear interest at 5% per annum. The present amount of bonds outstanding as of March 31, 2004 is \$620,300. The Township has been making additional principal payments.

Principal installments of these bonds are subject to prepayment prior to maturity, in inverse chronological order, at the issuer's option, on any interest payment date on or after June 1, 1992, at par and accrued interest to the date fixed for prepayment. Bond principal payments are as follows:

<u>Due Date</u>	<u>Principal Amount</u>
6/1/2004	\$13,000
6/1/2005	13,000
6/1/2006	14,000
6/1/2007	14,000
6/1/2008	15,000
6/1/2009	16,000
6/1/2010	17,000
6/1/2011	18,000
6/1/2012	19,000
6/1/2013	20,000
6/1/2014	21,000
6/1/2015	22,000
6/1/2016	23,000
6/1/2017	24,000
6/1/2018	25,000
6/1/2019	27,000
6/1/2020	28,000
6/1/2021	30,000
6/1/2022	31,000
6/1/2023	33,000
6/1/2024	34,000
6/1/2025	36,000
6/1/2026	38,000
6/1/2027	40,000
6/1/2028	42,000
6/1/2029	<u>7,300</u>
Total	<u>\$620,300</u>



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

The following is a summary of the changes in the Sewer Fund's long-term debt principal for the year ended March 31, 2004.

Beginning Balance 3/31/2003	\$632,300
Reductions	<u>(12,000)</u>
Ending Balances 3/31/2004	<u>\$620,300</u>

### NOTE L - CONTRIBUTIONS IN AID OF CONSTRUCTION

A summary of contributions in aid of construction of the Enterprise Funds at March 31, 2004, follows:

State Grant Contributions	\$2,307,040
Less amounts amortized into operations	(746,856)
Total	<u>\$1,560,184</u>
2003/2004 Amortization	<u>\$51,269</u>

### NOTE M - SEGMENT INFORMATION FOR ENTERPRISE FUND

The Township provides sewage services. Segment information as of March 31, 2004, follows:

	Sewer <u>Fund</u>
Operating revenues	\$60,516
Depreciation expense	\$66,230
Operating income (loss)	(\$35,193)
Restrictive donations/grants	0
Operating transfers	0
Tax revenues	0
Increase (decrease) in Retained earnings	(\$13,073)
Current capital contributions	\$ 0
Increase (decrease) in Fixed assets	\$ 0
Long-term debt payable From operating revenues	\$620,300
Retained-earnings Unreserved (deficit)	\$61,432

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

---

### NOTE N - DEFINED CONTRIBUTION PENSION

The Township participates in a defined contribution, money purchase individual account pension plan for all full time employees. Total pension expense was \$3,080 for the fiscal year ending March 31, 2004. Additional information was not available for disclosure.

### NOTE O - RISK MANAGEMENT

The Township is exposed to various risks of losses related to tort; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township has obtained coverage from commercial insurance companies. The Township has comprehensive general liability coverage of \$1,000,000 per occurrence and a \$3,000,000 aggregate limit, with no deductible amount.

Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. All risk management activities are accounted for in the General Fund of the Township.

The Township is involved in a lawsuit pertaining to a fatality which occurred on Township Property. The Insurance carrier has been coordinating proper legal representation and no legal costs have been submitted to the Township. Management estimates that the amount of actual or potential claims against the Township as of March 31, 2004, will not materially affect the financial condition of the Township. Therefore, the financial statements contain no provision for estimated claims. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past five years.

### NOTE P - RESTRICTED CASH ACCOUNTS

The Township has designated in Enterprise Fund monies of \$105,153 towards future revenue bond retirements, bond interest redemption accounts and future repair and reconstruction activities. The General Fund has set aside \$22,407 in a certificate of deposit for future road repairs and \$1,087 for building inspection activities.

### NOTE Q - LIQUOR ENFORCEMENT

Liquor license monies received and enforcement costs were accounted for in a special revenue fund. Unexpended monies of \$230 were transferred to the General Fund.

COMBINING AND  
INDIVIDUAL FUND  
FINANCIAL STATEMENTS

GREENLAND TOWNSHIP

GENERAL FUND  
DETAIL OF REVENUES AND OTHER FINANCING SOURCES  
BUDGET AND ACTUAL

Year ended March 31, 2004

<b>REVENUES</b>	<b><u>BUDGET</u></b>	<b><u>ACTUAL</u></b>	<b><u>VARIANCE</u></b>
Current property taxes	\$9,100	\$11,026	\$1,926
Delinquent property taxes	1,800		(1,800)
Commercial forest reserve	200	2,202	2,002
Swamp taxes	4,800	4,707	( 93)
Other taxes	250	1,264	1,014
Tax administrative fees	3,800	7,939	4,139
Total taxes	<u>\$19,950</u>	<u>\$27,138</u>	<u>\$7,188</u>
State shared revenues	68,000	96,819	28,819
Federal shared revenues	200	1,141	941
Rents and royalties	22,600	34,471	11,871
Refunds	1,300	656	(644)
Donations	300		(300)
Miscellaneous	4,500	380	(4,120)
Interest income	400	2,698	2,298
TOTAL REVENUES	<u>\$117,250</u>	<u>\$163,303</u>	<u>\$46,053</u>
Other financing sources-Transfer from other funds		605	605
<b>TOTAL REVENUES AND OTHER FINANCING SOURCE</b>	<u>\$117,250</u>	<u>\$163,908</u>	<u>\$46,658</u>

The accompanying notes are an integral part of the financial statements.

# GENERAL FUND

## DETAIL OF EXPENDITURES AND COMPARISON WITH BUDGET GREENLAND TOWNSHIP Year ended March 31, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<b>LEGISLATIVE</b>			
Township Board:			
Salaries		\$2,450	
Office supplies		1,005	
Operating supplies		135	
Contractual costs		702	
Transportation			
Printing and publications		483	
Communications		847	
Miscellaneous		292	
Subscriptions			
Memberships		473	
<b>GENERAL</b>	<b>\$8,736</b>	<b>\$6,387</b>	<b>\$2,349</b>
<b>GOVERNMENT</b>			
Supervisor:			
Salaries		\$5,400	
Assessor wages		6,300	
Supplies		750	
Transportation		392	
Printing and publishing		1,085	
Miscellaneous		76	
<b>TOTAL SUPERVISOR</b>	<b>\$12,778</b>	<b>\$14,003</b>	<b>(\$1,225)</b>
Election:			
Salaries		\$615	
Transportation		35	
<b>TOTAL ELECTION</b>	<b>\$650</b>	<b>\$650</b>	

The accompanying notes are an integral part of the financial statements.

GENERAL FUND

DETAIL OF EXPENDITURES AND COMPARISON WITH BUDGET  
GREENLAND TOWNSHIP

Year ended March 31, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
Clerk:			
Salary		\$5,700	
Miscellaneous		179	
TOTAL CLERK	\$6,050	\$5,879	\$171
Board of Review			
Wages		\$350	
Publications		67	
TOTAL BOARD OF REVIEW	\$475	\$417	\$58
Treasurer:			
Salary		\$5,700	
Deputy wages		675	
Office supplies		1,069	
TOTAL TREASURER	\$8,124	\$7,444	\$680
Township Property			
Wages		\$1,862	
Operating supplies		2,145	
Repairs and maintenance		2,024	
Utilities		2,217	
Miscellaneous		400	
TOTAL TOWN HALL	\$6,585	\$8,648	(\$2,063)
CEMETARY	\$1,900	\$1,800	\$100
<b>TOTAL GENERAL GOVERNMENT</b>	<b>\$36,562</b>	<b>\$38,841</b>	<b>(\$2,279)</b>

The accompanying notes are an integral part of the financial statements.

GENERAL FUND  
DETAIL OF EXPENDITURES AND COMPARISON WITH BUDGET  
GREENLAND TOWNSHIP

Year ended March 31, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
PUBLIC SAFETY			
Fire:			
Wages		\$2,037	
Supplies		4,471	
Communications		478	
Utilities		610	
Miscellaneous		1,480	
Equipment		516	
TOTAL FIRE PROTECTION	\$8,710	\$9,592	(\$882)
ZONING BOARD	\$475	\$354	\$121
<b>TOTAL PUBLIC SAFETY</b>	<b>\$9,185</b>	<b>\$9,946</b>	<b>(\$761)</b>
PUBLIC WORKS			
Streets and roads	\$49,961	\$24,938	\$25,023
Street lights	11,200	11,918	(718)
<b>TOTAL PUBLIC WORKS</b>	<b>\$61,161</b>	<b>\$36,856</b>	<b>\$24,305</b>
PARKS	\$2	\$24	(\$22)
LIBRARY			
Wages		\$3,642	
Supplies		355	
Communications		326	
Transportation		86	
TOTAL LIBRARY	\$4,270	\$4,409	(\$139)
<b>TOTAL RECREATION AND CULTURE</b>	<b>\$4,272</b>	<b>\$4,433</b>	<b>(\$161)</b>

The accompanying notes are an integral part of the financial statements.

GENERAL FUND

DETAIL OF EXPENDITURES AND COMPARISON WITH BUDGET  
GREENLAND TOWNSHIP  
Year ended March 31, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
OTHER			
Pension contributions	\$2,200	\$3,080	(\$880)
Insurance	15,497	11,978	3,519
Payroll taxes	1,050	1,967	(917)
<b>TOTAL OTHER</b>	<b>\$18,747</b>	<b>\$17,025</b>	<b>\$1,722</b>

The accompanying notes are an integral part of the financial statements.



# COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS

## GREENLAND TOWNSHIP

Year ended March 31, 2004

	<u>Housing Program</u>	<u>Liquor Law Enforcement</u>	<u>Building Inspections</u>	<u>Total</u>
<b>Assets:</b>				
Cash in bank	\$11,342	\$	\$	\$11,342
Notes receivable	1,351			1,351
Total Assets	\$12,693	\$	\$	\$12,693
<b>Liabilities &amp; Equity:</b>				
Accounts payable	\$	\$	\$	\$
Due to other funds				
Fund balance-unreserved	\$12,693			\$12,693
-reserved				
<b>Total Equity &amp; Liabilities</b>	\$12,693	\$	\$	\$12,693

The accompanying notes are an integral part of the financial statements.

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - SPECIAL REVENUE FUNDS

GREENLAND TOWNSHIP

Year ended March 31, 2004

	<u>Housing Program</u>	<u>Liquor Law Enforcement</u>	<u>Building Inspections</u>	<u>Total</u>
<b>Revenues:</b>				
State shared revenues	\$	\$1,430	\$	\$1,430
Federal shared revenues				
Interest income	145			145
Charges for services			597	597
Total revenues	\$145	\$1,430	\$597	\$2,172
<b>Expenditures:</b>				
Inspection costs	\$	\$1,140	\$282	\$1,422
Total expenditures		\$1,140	\$282	\$1,422
Excess of revenue(loss) over expense	\$145	\$290	\$315	\$750
Transfer to other funds		(290)	(315)	(605)
Fund Balance 3/31/2003	\$12,548	\$	\$	\$12,548
<b>Fund Balance 3/31/2004</b>	<b>\$12,693</b>	<b>\$</b>	<b>\$</b>	<b>\$12,693</b>

The accompanying notes are an integral part of the financial statements.

COMBINING BALANCE SHEET – FIDUCIARY FUNDS

GREENLAND TOWNSHIP

Year ended March 31, 2004

	<u>Tax Fund</u>	<u>Trust and Agency</u>	<u>Total</u>
<b>Assets:</b>			
Cash in bank	\$69,027	\$1,447	\$70,474
<b>Liabilities &amp; Equity:</b>			
Accounts payable	\$64,723	\$	\$64,723
Due to other funds	4,304	1,447	5,751
	<u>\$69,027</u>	<u>\$1,447</u>	<u>\$70,474</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CHANGES IN FUND BALANCE  
TAX FUND

GREENLAND TOWNSHIP

Year ended March 31, 2004

	<u>Balance at April 1, 2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at March 31, 2004</u>
Assets-cash	\$5.508	\$424.628	\$361.109	\$69.027
Liabilities:				
Due to Township	\$4.652	\$28.447	\$28.795	\$4.304
Due to County	424	263.798	199.603	64.619
Due State of Michigan				
Due to Component	100	4.845	4.945	
Unit				
Due to Schools	332	127.434	127.766	
Due to others		104		104
	<u>\$5.508</u>	<u>\$424.628</u>	<u>\$361.109</u>	<u>\$69.027</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
TRUST & AGENCY FUND

GREENLAND TOWNSHIP

Year ended March 31, 2004

	<u>Balance at April 1, 2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at March 31, 2004</u>
Assets-cash	\$1,655	\$15,632	\$15,840	\$1,447
Liabilities:				
Due to Township	\$1,241	\$206	\$	\$1,447
Due State of Michigan	97	299	396	
Due Federal Government	317	1,181	1,498	
Due to Individuals		13,946	13,946	
	<u>\$1,655</u>	<u>\$15,632</u>	<u>\$15,840</u>	<u>\$1,447</u>

The accompanying notes are an integral part of the financial statements.

**Roger J. Kolehmainen PC CPA**  
1445 East Cloverland Drive  
Ironwood, MI 49938  
(906) 906-3600

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Supervisor and Members of the Board  
Greenland Township  
Ontonagon County, Michigan

We have audited the financial statements of Greenland Township as of and for the year ended March 31, 2004, and have issued our report thereon dated November 1, 2004. We conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Greenland Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing the audit of the financial statements of Greenland Township for the year ended March 31, 2004, we considered the internal control structure in order to determine auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

The management of Greenland Township is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projections of any evaluation of the structure to future periods are subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in my judgment, could adversely affect the entity's ability to record, process, summarize and report financial data consistent with assertions of management in the financial statements. Reportable conditions noted in our review are as follows:

1. The Township Clerk did not maintain a complete general ledger which would have provided for an expedient audit. Various spread sheets were used for control and budget purposes. While an accounting software program was being phased in, not all cash accounts nor deposits were recorded.

The Township Clerk will need to maintain accurate accounting records and allow for various bank accounts to be in agreement with the Treasurer's reports in a timely manner.

2. The Township will need to safeguard unused checks and important papers in the fire proof file cabinets located on premise. File cabinets should be locked and keys safeguarded.
3. The Sewer Funds billing and collecting of customer accounts should be segregated between the Clerk and Treasurer in expediting the depositing of monies collected and shifting the work load in providing more time for the records to be posted on a timely basis. Furthermore, customer accounts should be posted in greater details to reflect complete date of collection and batching payment coupons according to deposits.


4. The Township will need to update their General Fixed Asset listing to reflect current holdings for accountability and insurability. The listing on file is not in sufficient detail nor has a physical inventory been performed to assure assets are still present and in good condition.

A material weakness is a reportable condition in which the design or operation of one of more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We consider the above items to be a material weakness. We noted other matters involving internal control elements over financial reporting and its operations that require corrective action.

1. The Township had cash and investments on deposit that exceed the FDIC insurance coverage should a loss be experienced. The Treasurer should be instructed to research terms with other local banking institutions in reducing the risk element.
2. The Township's Fire Department fund raising activities pursued in the Township's name will need to be included in the Township's annual audit unless a separate legal entity has been utilized and recognized as being eligible to receive such monies.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, none of the reportable conditions described above are believed to be a material weakness.

This report is intended solely for the use of management and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which, upon acceptance by the Members of the Board, is a matter of public record.

  
Roger J. Kolehmainen PC  
Certified Public Accountant

November 1, 2004